



BOEM Bureau of
Ocean Energy Management

Proposed Sale Notice

Fiscal Terms

NY Bight, Auction Seminar
July 30, 2021

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Fiscal Terms Overview

- Bonus Bid
- Rent
- Project Easement
- Operating Fee
- Financial Assurance Requirements



Bonus Bid

- Lease awarded to the highest bidder
- High bid is a cash bonus, or a cash bonus combined with a bidding credit
- Bidding Credit(s)
 - Credits under consideration by BOEM may include contributions to underserved communities, workforce development or supply chain development.
 - Any bidding credits offered will be described in the FSN.
 - BOEM is asking for stakeholder feedback (PSN).



Annual Rent Payment

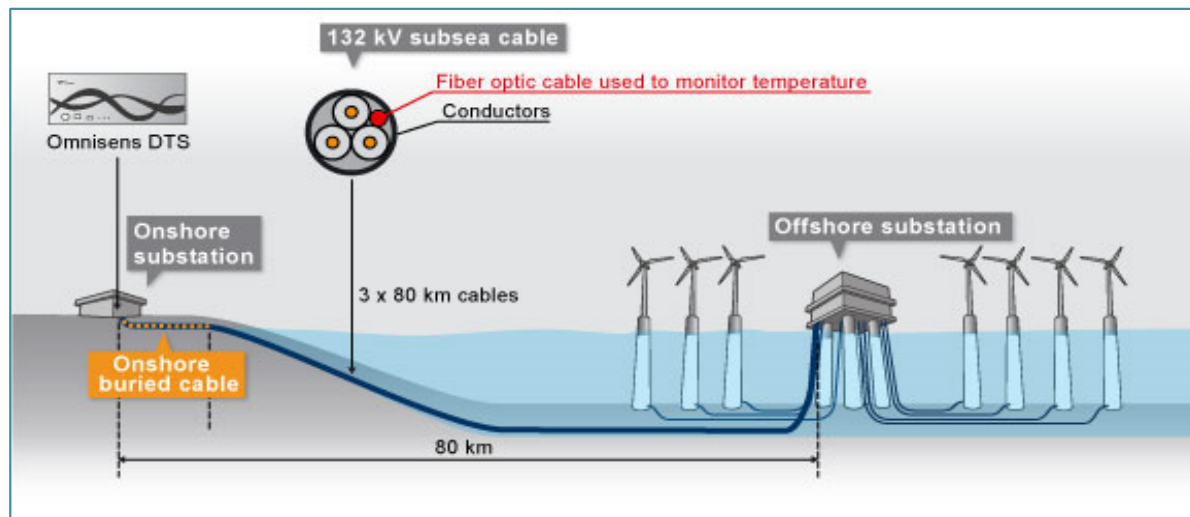
- Payment Formula = Leased Acreage x \$3.00/acre
- First year's payment due within 45 days of lease effective date
- Subsequent payment due on lease anniversary
- Rental payments reflect adjustments for relinquished acreage or phased development

Lease Area	Hudson South OCS-A 0538
Size (acres)	84,332
Rental Payment	\$ 252,996



Annual Project Easement Payment

- ROW Grant authorizes OCS export cables
 - ROW Formula = \$70/statute mile x # of statute miles
- RUE Grant authorized a separate facility off the lease
 - RUE Formula = \$5/ac or \$450 minimum



Annual Operating Fee

- Initial fee due within 45 days of commercial operations
- Operating fee is paid in advance
 - Subsequent payments due annually, on or before each lease anniversary



Annual Operating Fee

- The annual operating fee is based on:
 - *Anticipated* annual power output valued at the preceding year's regional wholesale power price, multiplied by an operating fee rate

F	=	M	*	H	*	C	*	P	*	r
Annual Operating Fee		Nameplate Capacity [MW]		Hours per Year [8,760]		Capacity Factor [initial 0.4]		Power Price [\$/MWh]		Operating Fee Rate [0.02]



Annual Operating Fee (cont.)

$$F = M * H * C * P * r$$

Annual Operating Fee	Nameplate Capacity [MW]	Hours per Year [8,760]	Capacity Factor [initial 0.4]	Power Price [\$/MWh]	Operating Fee Rate [0.02]
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Generation at continuous full power operation (MWh)

- Nameplate capacity is the installed capacity measured in megawatts (MW)



Annual Operating Fee (cont.)

$$F = M * H * C * P * r$$

Annual Operating Fee	Nameplate Capacity [MW]	Hours per Year [8,760]	Capacity Factor [initial 0.4]	Power Price [\$/MWh]	Operating Fee Rate [0.02]
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Anticipated Annual Power Output (MWh)

- The capacity factor is the share of anticipated generation relative to its generation at continuous full power operation
- Value is set to 0.4 for the first 6 years of commercial operations
- Adjusted at 5-year intervals to reflect actual metered generation



Annual Operating Fee (cont.)

$$F = M * H * C * P * r$$

Annual Operating Fee	Nameplate Capacity [MW]	Hours per Year [8,760]	Capacity Factor [initial 0.4]	Power Price [\$/MWh]	Operating Fee Rate [0.02]
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Estimated Market Annual Value (\$)

- Power price is determined at the time each payment is due based on the latest calendar year average of the regional wholesale spot price (\$/MWh)
 - The proposed power price for all NY Bight leases is NYISO's NYC – Zone J.



Annual Operating Fee (cont.)

$$F = M * H * C * P * r$$

Annual Operating Fee	Nameplate Capacity [MW]	Hours per Year [8,760]	Capacity Factor [initial 0.4]	Power Price [\$/MWh]	Operating Fee Rate [0.02]
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- Operating fee rate is the share of the estimated market value of the power produced payable to the Lessor
 - The operating fee rate is 0.02 through the life of the commercial operations on the lease



Annual Operating Fee Example (1,000 MW project)

$$F = M * H * C * P * r$$

Annual Operating Fee	Nameplate Capacity [MW]	Hours per Year [8,760]	Capacity Factor [initial 0.4]	Power Price [\$/MWh]	Operating Fee Rate [0.02]
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$$F = 1,000 * 8,760 * 0.4 * \$40.00 * 0.02$$

$$F = \$2,803,200$$



Financial Assurance Requirements

- Prior to lease issuance, the provisional winner must provide assurance for initial financial obligations on the lease
 - \$100,000 initial financial assurance due prior to lease issuance
- Additional assurance required to cover decommissioning, operating fees, and other obligations as lease development progresses.
 - Lessees have proposed alternate decommissioning financial assurance schedules to BOEM.



The background of the slide is an underwater photograph of sand dunes. The dunes are illuminated from above, creating a rhythmic pattern of light and shadow across the sand. The water is a clear, deep blue, and the overall scene is serene and natural.

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